



Who Wants to Be a TFSA Millionaire?

Description

I believe millennial investors should largely ignore RRSPs and put their cash to work in TFSAs.

There are numerous advantages to this strategy. It [minimizes taxes](#), since RRSP withdrawals are subject to taxes owing and TFSA withdrawals aren't. TFSAs can easily be raided when needed, although that should be a last resort. Investors don't want to interrupt the compounding process.

Most folks don't have the savings ability to max out both their TFSA and RRSP. It makes sense to focus on the account with the best chances of long-term investing success. Don't let the relatively small contribution limit fool you, either; \$6,000 per year will go a long way towards a prosperous retirement if you invest consistently and earn solid returns.

In fact, maxing out your TFSA contribution each year will easily make you a millionaire. Let's take a closer look at how you can make that happen.

The power of time

Let's run a little hypothetical experiment here — something that every millennial investor is going to want to read.

Let's say you're 25 years old today. You contribute \$6,000 to your TFSA each year until you hit 65. You manage to achieve a solid 8% return over the long term. How much would you end up with?

\$500,000? Nope.

\$750,000? Nope.

A portfolio flirting with \$1 million? Nope. Not even close, either.

Your portfolio would be worth more than \$1.8 million.

Now, think about how powerful this savings strategy could be if you get your spouse fully on board, too. You'd be looking at a retirement nest egg of nearly \$4 million. Inflation would ensure it's not worth quite as much as it is today, but I bet \$3.6 million will still be enough for a pretty nice retirement in 2059.

How you can get there

I don't like to make investing complicated.

You already have enough to worry about. Between working 40 hours a week, commuting, doing chores around the house, and a little time for leisure, there's precious little time to research stocks.

The solution is to put your capital to work in great companies that have proven time and time again that they can deliver consistent returns.

One example is **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)), the top dog of Canada's dominant banking cartel. Royal Bank sits on top because it does an excellent job in all aspects of Canadian banking. Its aggressive mortgage department has vaulted it to the best lender in the country. Credit cards, insurance, and wealth management are strong points, too. The company's capital markets division dominates [Bay Street](#) and has offices all over the world.

Like many of its rivals, RBC is using profits from its Canadian operations to expand into the United States. These U.S. operations surpassed \$2 billion in revenue in the most recent quarter, and adjusted profits on a year-over-year basis surged more than 10%.

Finally, Royal Bank pays a 4.2% dividend — a payout that was just increased this week.

Another great stock to own over the long term is **Dollarama** ([TSX:DOL](#)), the Montreal-based specialty retailer that has been posting excellent growth numbers since becoming a publicly traded company a decade ago.

Dollarama recently surpassed 1,200 stores in Canada, with analysts predicting it has potential to open 300-600 more. It also exercised its option to buy a majority stake in Latin American dollar store chain Dollar City, which will give it further growth potential. The company is also posting consistently solid same-store sales growth figures, giving it a two-pronged growth model that is the envy of many other retailers.

Since its debut on the Toronto Stock Exchange in 2009, Dollarama shares are up a whopping 1,554%. That translates into a yearly increase of just under 33% annually. It might not be possible for the stock to continue that kind of growth going forward, but I can easily see it returning 10% annually, which is easily enough to make it a worthy contributor to your retirement fund.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. TSX:DOL (Dollarama Inc.)
3. TSX:RY (Royal Bank of Canada)

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